

# COVID-19: A Strong Foundation for Speedy Recovery



The Egyptian Government has made key announcements in the past few days to mitigate an economic slowdown due to the ongoing disruptions caused by COVID-19. As the pandemic unfolds across the globe, the world GDP growth is now expected to decline to less than 1 percent from 2.9 percent in 2019. A slowdown in global growth and credit crunch across advanced economies is likely to have a ripple effect across emerging economies such as Egypt. However, the fundamentals of the local economy remain strong. Egypt was one of the fastest growing economies in the region with a GDP growth of 5.6% in 2019. The country also managed to reduce its domestic debt to 66.7 percent from 2019 to Q1 2020 - its lowest rate in 10 years - due to the various economic reforms carried out by the

Government. A young and educated population and rising household income should bode well for the economy in the long run.

The short-to-medium term impact on economic growth of COVID-19, cannot be overlooked. The Government has already suspended all international flights from the 19th of March till the 14th of April across all airports. It has also reduced the presence of public sector employees across government offices to stem the spread of virus. In addition, the Government has announced the implementation of a curfew which is in place for two weeks from March 25 between the hours of 7 pm and 6 am.

In a bid to curb the negative impacts of COVID-19 on Egypt's economy, some precautionary and pre-emptive actions have been carried out as follows:

- Allocation of an economic package worth EGP 100 billion
- The Central Bank of Egypt has:
  1. Cut key interest rates by 3 percent, 300 bps, bringing the overnight deposit rate, overnight lending rate, and the rate of the main operation to 9.25 percent, 10.25 percent, and 9.75 percent respectively, and the discount rate was also cut by 3 percent to 9.75 percent.
  2. Postpone credit dues for business and personal debt (including real estate loans) by six months
  3. Raising daily transaction limits on credit cards as well as cancelling fees and commissions applied at points of sale and on withdrawals from ATMs for six months
  4. Continue to closely monitor all economic developments and do not hesitate to adjust its stance to achieve its price stability mandate over the medium term.

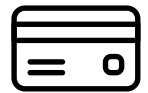
## Actions by the Central Bank of Egypt



Cut interest rates by 3%



Postpone credit dues for debts by 6 months



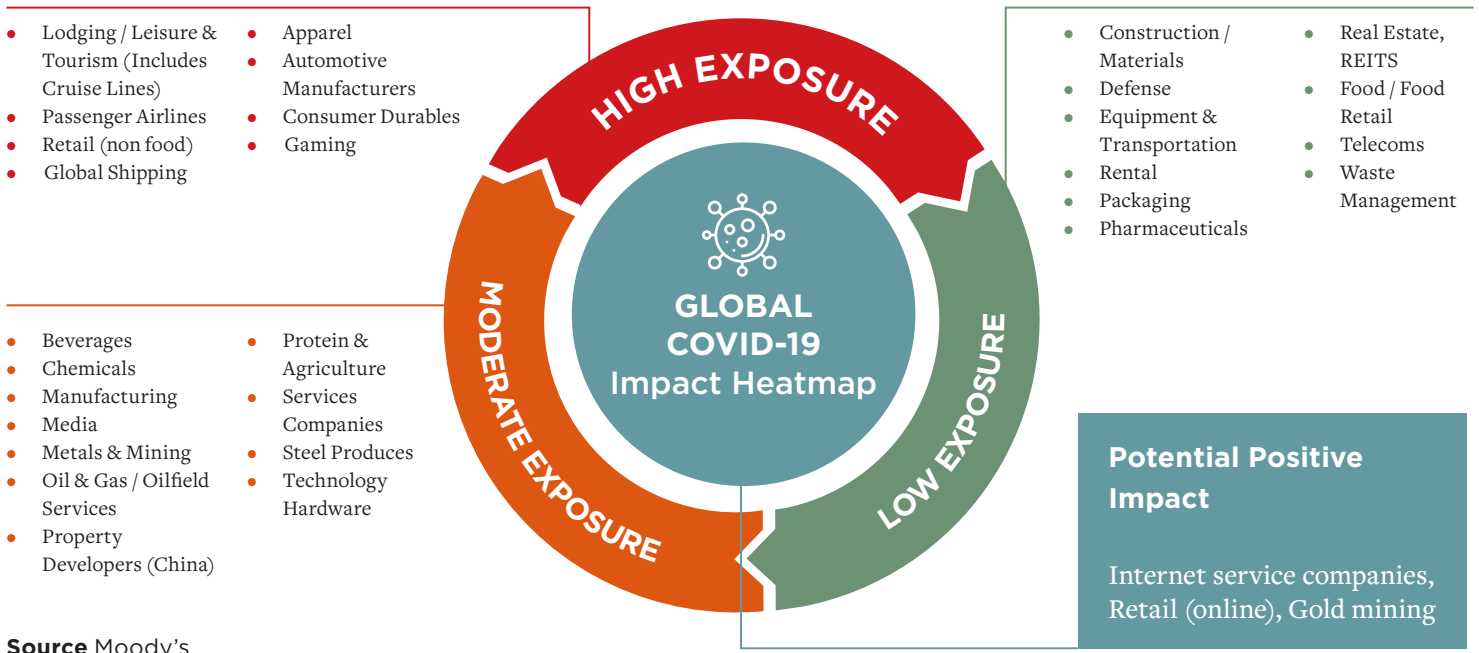
Raising daily transaction limits on credit cards



Cancelling fees at POS and ATM withdrawals for 6 months



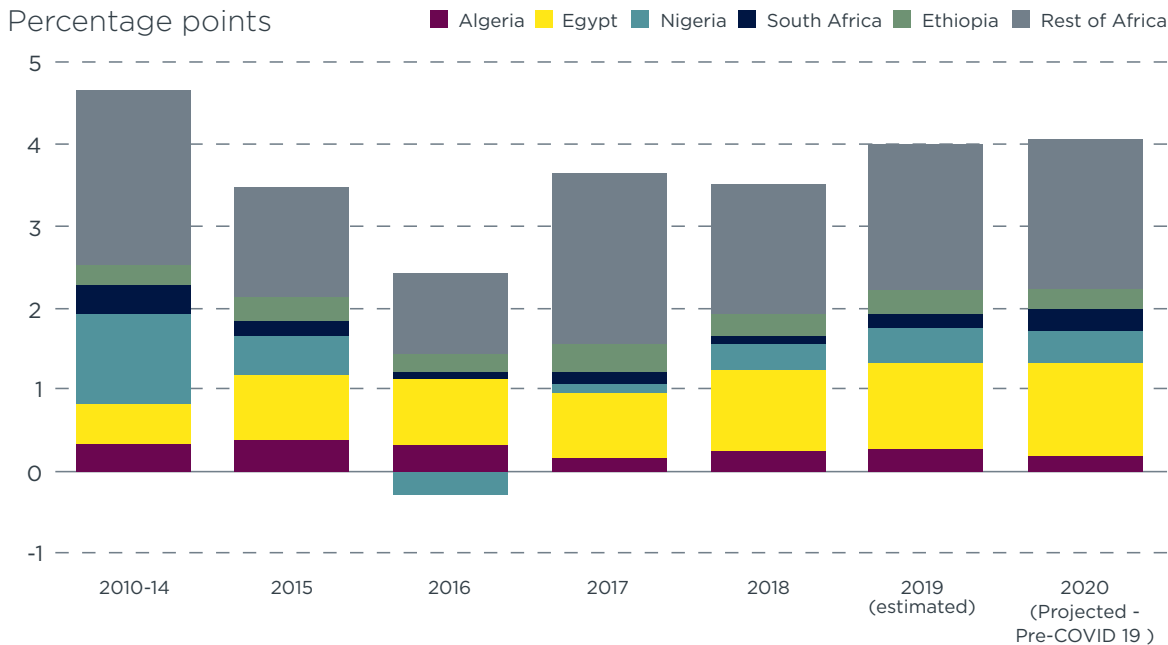
Monitor economic developments to adjust price stability in the medium term



## Decrease in lending rate and accordingly financing cost will:

- | Encourage investors to shift to the real estate sector due to the likely increase in real estate valuation
- | Lead to better mortgage terms
- | The decline in the stock exchange coupled with the decrease in interest rate will make the real estate sector a more attractive investment option

**FIGURE 1 Egypt - The hub of economic activity in North Africa**



Source: African Development Bank statistics and staff calculations.

Note: Calculated as the average growth rate of countries weighted by the countries share of Africa's total GDP.

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